

Plan 2 for PERS, SERS, TRS, and LEOFF

Recovery of Withdrawn or Optional Service Credit

The actual provisions governing the recovery of withdrawn or optional service credit are contained in the Revised Code of Washington (RCW). This publication is a summary of those provisions, not a complete description of the law, and describes provisions currently in effect. If there are any conflicts between what is written in this brochure and what is contained in the law, the applicable law will govern.

This publication relates to the following retirement systems:

- Public Employees' (PERS) Plan 2
- School Employees' (SERS) Plan 2
- Teachers' (TRS) Plan 2 and
- Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2

Many public employees in Washington State leave public employment sometime during their careers and exercise the option to withdraw their contributions from the retirement fund. Members who withdraw their contributions lose all service credit associated with the withdrawn contributions and any future benefits based on that service credit. There are three different ways to recover service credit lost due to the withdrawal of contributions.

- 1. Restoration:** A member returns to the same system from which a withdrawal was made and completes restoration within 60 months (five years) after returning to service. See below.
- 2. Dual Member Restoration:** A member joins a retirement system other than the one previously withdrawn from, and restores the service withdrawn from the first system. Both retirement systems must be dual member systems. See page 2.
- 3. Service Credit Purchase:** If deadlines pass before restoration is completed, a member still has the option to purchase withdrawn service credit. See pages 2 and 3.

What are the rules for restoration?

Under restoration rules, you repay the full amount of the original withdrawal, plus recovery interest compounded from the time of withdrawal until the restoration costs are paid in full. Restorations can be paid in a lump sum, or in installment payments and must be completed before the deadline (see below).

Note on Rollovers and Transfers: In many cases it is possible to roll funds from another tax-deferred retirement account to satisfy restoration or service credit purchase billings. You are advised to check with the administrator of your tax-deferred account to see if those dollars can be rolled or transferred to the Department of Retirement Systems (DRS). DRS is classified by the Internal Revenue Service (IRS) as a 401(a) account. Funds in excess of billing cannot be rolled to DRS.

To qualify for restoration

Plan 2 members may not restore unless they have reestablished membership by working in a position covered by the same system from which they withdrew. Once membership has been reestablished, Plan 2 members do not need to be working to make payments for restoration. Plan 2 members must initiate and complete restoration payments before statutory deadlines for restoration expire. Members who fail to meet payment deadlines will have their restoration payments refunded. **If you wish to apply for restoration**, see contact information on page 4.

Restoration deadlines and payment options

When restoring withdrawn contributions, you are required to initiate and complete restoration payments within a specific time period after becoming employed. Restoration payments must be completed before retirement. Restoration payments not paid in full by the deadline, will be refunded to the member after the deadline passes. Except where dual membership is involved, payment must be completed within 60 calendar months (five years) of returning to service. Dual member restoration rules are outlined on page 2.

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If employment is terminated prior to completing restoration payment

In Plan 2, though you must be an active member to initiate restoration, you can continue your restoration payments even if you leave active service. Regardless of membership status, if you do not meet your payment deadline, your restoration payments will be refunded and the associated service credit will not be restored to your account.

If you return to service then leave your job and again withdraw your contributions, you must complete payment for the first withdrawal by the original deadline or the service is permanently unrecoverable under restoration rules. Each withdrawal is handled separately and a new deadline is assigned according to the rules of the system. Service credit that is no longer recoverable under restoration rules can be regained using the service credit purchase option.

EXAMPLE: Leaving service prior to completion of restoration

Mary is a Plan 2 member. After six years of service, she ended employment and withdrew her accumulated contributions. Later she returned to work and began restoration in installment payments. Under Plan 2, she had five calendar years (60 months) to complete payment.

After four years Mary again left employment and elected to withdraw her contributions. She had not completed payment for restoration of her first withdrawal. Two years later she returned to service and elected to restore her withdrawn credit. Mary is unable to resume payment for the six years of service credit lost for the first withdrawal because her deadline had passed (60 calendar months) while she was out of service. She is, however, able to begin restoration for the two years she worked after the first withdrawal. She has five years to complete that restoration.

What are the rules for dual member restoration?

A dual member:

- Is currently an active member of PERS Plans 1, 2 and 3; TRS Plans 1, 2 and 3; SERS Plans 2 and 3; LEOFF Plan 2; and WSPRS Plans 1 and 2; or the city retirement system of Tacoma, Seattle, or Spokane; and
- Has previously been a member of one or more of these systems or the Statewide City Employees' Retirement System (SCERS) in addition to the system in which he or she is currently a member; and
- Has never been retired from service and is not currently receiving a disability retirement benefit or disability leave benefit from any public retirement system in the state of Washington.

Dual member restoration rules and deadlines apply to all dual member systems and plans

For restoration under dual membership, you must repay the amount withdrawn plus interest within 24 months of becoming a dual member or before you retire, whichever comes first. For more information about dual membership rights, refer to the DRS publication, *What Is Dual Membership and How Does it Affect Me?* This brochure is available on the DRS Internet site or in print format through DRS or your personnel/payroll office. See page 4 for Internet address and DRS contact information.

What are the rules for service credit purchase?

All Plan 2 members have the option to purchase withdrawn service credit even after deadlines for normal or dual member restoration have passed. Service credit purchased under this law costs much more than restorations. The cost is based on the increased value of your retirement benefit, not on the amount of withdrawn contributions. You may purchase service credit in increments as small as the amount earned in one month. You are not limited to a single purchase, and may purchase credit up until you retire. **If you wish to apply for service credit purchase**, you must contact the Department of Retirement Systems to receive a billing. See contact information on page 4.

NOTE: In many cases it is possible to roll funds from another tax-deferred retirement account to satisfy restoration or service credit purchase billings. See note on rollovers and transfers on page 1.

Calculating the cost for service credit purchase

DRS uses a formula based on the following:

- Your highest average earnings (over a 60 month period) which would be used for computing your benefit in the system in which you are purchasing service credit. This definition can be found in your Member Handbook.
- The amount of service credit being purchased.
- An actuarial factor or factors based on your earliest possible retirement date and the system and plan under which the service credit was earned.

Actuarial factors are assigned by system and plan

Under Plan 2, the age a member becomes eligible for an unreduced retirement benefit is set by law. Service credit purchases are calculated using a basic formula and a single, system-specific, actuarial factor. Under Plan 2 a member must have at least five years of service credit to qualify for retirement.

Eligible for an unreduced benefit	Age
PERS, TRS and SERS Plans 2	65
LEOFF Plan 2	53

BASIC FORMULA : SERVICE CREDIT PURCHASE

Average Earnings x Service Credit Being Purchased

X Actuarial Factor for your plan (see table at right)

= Purchase Price

Basic Formula Actuarial Factors

Actuarial factors are subject to periodic change. The table below was accurate as of August 2002. Check with DRS for current tables.

Years in Plan	PERS/SERS	TRS	LEOFF
0	0.2345	0.2585	0.2849
1	0.2301	0.2537	0.2796
2	0.2258	0.2490	0.2744
3	0.2216	0.2443	0.2693
4	0.2175	0.2398	0.2643
5	0.2134	0.2353	0.2594
6	0.2095	0.2310	0.2546
7	0.2056	0.2267	0.2498
8	0.2018	0.2224	0.2452
9	0.1980	0.2183	0.2406
10	0.1943	0.2142	0.2361
11	0.1907	0.2103	0.2317
12	0.1872	0.2063	0.2274
13	0.1837	0.2025	0.2232
14	0.1803	0.1987	0.2190
15	0.1769	0.1950	0.2150
16	0.1736	0.1914	0.2110
17	0.1704	0.1878	0.2070
18	0.1672	0.1844	0.2032
19	0.1641	0.1809	0.1994
20	0.1610	0.1776	0.1957
21	0.1581	0.1743	0.1921
22	0.1551	0.1710	0.1885
23	0.1522	0.1678	0.1850
24	0.1494	0.1647	0.1815
25	0.1466	0.1616	0.1782
26	0.1439	0.1586	0.1749
27	0.1412	0.1557	0.1716
28	0.1386	0.1528	0.1684
29	0.1360	0.1499	0.1653
30	0.1335	0.1472	0.1622

EXAMPLE: Purchasing service credit

James is an active PERS Plan 2 member working for a state agency. Early in his career he left his state job and withdrew the two years contributions he had accumulated. Later he returned to another PERS 2 job but did not restore within 60 months. He now has 10 years in PERS Plan 2 and wishes to purchase the two years that he lost when he withdrew. His average earnings are \$36,000 per year. His Calculation is as follows:

$$\text{Years Purchased} \times \text{Average Earnings} \times \text{Factor \#1} = \text{Basic Purchase Cost}$$

$$2 \text{ years} \times \$36,000 \times 0.1943 = \$13,989.00$$

How do I apply for optional service credit?

Plan 2 members have the option to apply for service credit for periods of public service or a leave of absence that fall under rules other than normally accumulated service credit. This is referred to as “optional service.” Optional service can be acquired by paying contributions within a specific time period immediately after returning to normal active service.

Note: Payment must be initiated while actively employed in a covered position. However, once initiated, payments can be completed regardless of employment status.

Some common types of optional service:

- Authorized leaves of absence (LEOFF, PERS, SERS, TRS)
- Temporary duty disability (LEOFF, PERS, SERS)
- Legislative employment (LEOFF, PERS, SERS, TRS)
- Military service that interrupts employment (LEOFF, PERS, SERS, TRS)
- Service as an elected official (LEOFF, PERS, SERS, TRS)
- Service in the Statewide City Employees’ Retirement System (PERS)
- LEOFF Plan 1 service (PERS, TRS, SERS)

If statutory deadlines have passed, you can still recover optional service credit

Though it is considerably more expensive than recovering the service within the statutory deadline, optional service can be purchased any time during active membership under Service Credit Purchase provisions.

If you have questions about optional service credit

If you have questions concerning any periods of time that you think may qualify as optional service, call DRS and speak with a Retirement Services Analyst. **You can call DRS toll-free at 1-800-547-6657. Olympia area members call (360) 664-7000.**

What do I need to do?

To initiate the recovery of service credit, or to obtain an estimate for the cost of recovering service credit, contact DRS. Be sure to provide your:

- Name,
- Retirement system,
- Social Security number,
- Mailing address, and
- Daytime telephone number.

Send your mail to:

Department of Retirement Systems Name of your System (PERS, SERS, TRS or LEOFF) PO Box 48380 Olympia WA 98504-8380

DRS telephone contacts

Toll-free at 1-800-547-6657. Olympia area members call (360) 664-7000.

Email address

recep@drs.wa.gov

DRS Internet site

You will find this publication and a variety of other information about your retirement plan by visiting the DRS Internet site (<http://www.wa.gov/DRS/drs.htm>).